

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Cash Balance Benefit Program Update

ITEM NUMBER: 11

ATTACHMENT(S): 0

ACTION:

MEETING DATE: June 7, 2001

INFORMATION: X

PRESENTER: Francisco Lujano

SUMMARY

As of May 14, 2001, the California State Teachers' Retirement System (CalSTRS) Cash Balance (CB) Benefit Program participating employers are reporting a total of 10,837 participants. The Net Asset Value of the program as of March 31, 2001 was \$13.3 million.

UPDATE ON PROGRAM MARKETING

Since the March 2001 Teachers' Retirement Board (Board) update, staff have been promoting the Cash Balance (CB) Benefit Program via promotional mailings, telephone follow-ups, vendor shows, informational workshops, and employer presentations.

Los Angeles Community College District is in the beginning stages of implementation, and staff have established working relationships with district staff by holding several informal meetings at previously scheduled employer gatherings such as the Northern and Southern California Institute and Employer Advisory Committee. Staff will travel to Los Angeles to meet with the community college staff on June 7, 2001 to establish a schedule to ensure a smooth transition into the CB Benefit Program. The election period and employee workshops are expected to take place in early Fall of 2001.

The process, from initial interest to the adoption of a formal resolution by a governing board to offer the CB Benefit Program, often requires follow-up and several repeat meetings. This process can be even longer when the CB Benefit Program is just one item in an entire benefit package under negotiation by employee representatives and the employer.

Staff has been pursuing three Southern California community college districts that are in various stages of the negotiation process:

- The first district has not yet begun negotiations (the current contract expires June 2002),

- The second district is on the verge of completing negotiations without an agreement to offer the CB Benefit Program, and
- The third district has agreed to offer the CB Benefit Program once the contract is ratified in late May. This district's contract language requires that the CB Benefit Program will be implemented beginning on the Spring 2002 semester or as soon as the County Office of Education is able to implement the program, whichever is sooner.

Staff continues its strategy of mailing a notification to all school districts in counties that make the data processing changes to implement the CB Benefit Program. Several presentations have been arranged and completed as a result of these efforts. In addition to the mailing and telephone prospecting efforts, the following activity occurred since the last update at the March Board Meeting:

March 2001

- Employer presentation to a central valley county business official

April 2001

- CB Benefit Program/Voluntary Investment Program (VIP), CalSTRS' 403(b) Program /Defined Benefit Supplement (DBS) Program Overviews, Northern California Employer Institute, Yosemite
- Vendor booth, California Association of School Business Officials convention, Santa Clara

May 2001

- CBBP/VIP/DBS Overviews, Southern California Employer Institute, Riverside
- Employer presentation to a Southern California Community College District

PARTICIPATING EMPLOYERS

The following list reflects the 25 employers from 13 participating counties offering the CB Benefit Program to their part-time, substitute and adjunct faculty. Six of the employers (24 percent) are K-12 districts and 19 (76 percent) are community college districts.

<i>County</i>	<i>K-12 School Districts</i>	<i>Community College Districts</i>
Alameda	Berkeley Unified	Fremont-Newark
	Fremont Unified	Peralta
		Chabot-Las Positas
Butte		Butte
Contra Costa	West Contra Costa Unified	Contra Costa
Los Angeles	Mountain View Elementary	Antelope Valley
		El Camino
		Glendale
		Los Angeles *
Placer		Sierra
Sacramento	Robla Elementary	
San Diego	Grossmont Union High School	Mira Costa
		San Mateo
San Francisco		San Francisco
Santa Clara		Foothill-DeAnza
		San Jose-Evergreen
Solano		Solano
Sonoma		Sonoma
Ventura		Ventura
Yuba		Yuba

(*) Pending Receipt of Resolution

PROGRAM GROWTH

The table below represents the program's growth for the first quarter of the year, in the areas of participation, contributions, and net asset value.

	1/31/01	% change	2/28/01	% change	3/31/01	% change
Participants	10,705	3.9%	Not Avail*	N/A	Not Avail*	N/A
Employers Reporting Contributions	23	8.7%	Not Avail*	N/A	Not Avail*	N/A
Total Contributions Received	\$12,261,000	+2.31%	\$12,704,000	+3.49%	\$13,383,000	+5.48%
Net Asset Value	\$13,302,000	+5.7%	\$13,127,000	-1.32 %	\$13,287,368	+1.22%

* Participant numbers unavailable at this time due to START conversion and implementation.

RATE OF RETURN ON INVESTMENTS

(Aggregate – TC11 and TC 64)

The following table shows the rates of return on investments for the CB Benefit Program.

Rate of Investment Return			
	As of 1/31/01	As of 2/28/01	As of 3/31/01
1 Month	+2.197%	-4.593%	-3.642%
Fiscal Year to Date	+0.520%	-4.100%	-7.590%
Last 12 Months	+6.070%	+1.700%	-8.640%
Since Inception (2/1/97)	+14.850%	+13.210%	+11.930%

If the fiscal year should end with a rate of investment return below the minimum guaranteed rate of 6.25 percent, funds are available in a Gain and Loss Reserve to fund the credited interest that exceeds investment earnings.

BENEFIT APPLICATIONS

As of May 15, 2001, the CB Benefit Program has received a total of 169 benefit applications: 56 retirement applications, 98 termination applications, 1 disability application and 14 death benefit applications. Of those 169 applications, 151 have been paid, 1 was not eligible for disability and 17 are not eligible for payment at this time due to the one-year waiting period for termination benefits.

The following tables represent the individual breakdown of benefit applications for the first quarter of 2001.

Applications Received

	January 2001	February 2001	March 2001	FYTD Total	Overall Total
Retirement	2	2	1	24	52
Termination	6	4	3	40	76
Death	1	0	0	5	14
Disability	0	0	0	1	1
Totals	9	6	4	70	143

Completed Applications Ready for Payment

	January 2001	February 2001	March 2001	FYTD Total	Overall Total
Retirement	2	2	1	24	52
Termination	5	4	7	36	79
Death	1	0	0	5	14
Disability	0	0	0	0	1
Totals	8	6	8	65	146

Benefits Paid

	January 2001	February 2001	March 2001	FYTD Total	Overall Total
Retirement	3	0	0	26	54
Termination	5	3	0	43	83
Death	0	1	0	5	14
Disability	0	0	0	0	0
Totals	8	4	0	74	151

NOTE: No benefits paid during March or April due to CalSTRS database conversion & implementation.